

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00

INRE-00 SS-20 NSC-07 STR-08 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NEA-10 NSAE-00

RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01

SWF-02 OMB-01 FEA-02 INT-08 AEC-11 AECE-00 SCI-06 L-03

OIC-04 DODE-00 AGR-20 DRC-01 /224 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 2332

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

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LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 08709

PASS STR FOR AMB. MALMGREN

E.O. 11652: N/A

TAGS: EGEN, OECD

SUBJECT: XCSS APRIL 23-24: COOPERATION ON INTERNATIONAL
ECONOMIC RELATIONS

REF: USOECD 8574 (NOTAL)

FOLLOWING IS TEXT OF ADDENDUM 1, DATED APRIL 9, TO
CE(74)3, "THE OIL SITUATION: COOPERATION IN ECONOMIC,
TRADE, MONETARY AND DEVELOPMENT POLICIES."

BEGIN TEXT.

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1. THE ADAPTATION TO THE SITUATION CREATED BY THE RECENT RISE IN OIL PRICES REQUIRES NEW AND SPECIAL ACTION FOR COOPERATION ON ALL ASPECTS OF INTERNATIONAL ECONOMIC RELATIONS: IN TRADE, DEVELOPMENT AID AND MONETARY POLICIES AS WELL AS IN THE FINANCING OF BALANCE-OF-PAYMENTS DEFICITS.

2. DOCUMENT CE(74)3 IS DEVOTED TO VARIOUS COMPONENTS OF SUCH ACTION. THIS ADDENDUM AIMS AT MAKING MORE CONCRETE PROPOSALS FOR COOPERATION IN THE TRADE POLICY FIELD.

3. THE RISE IN OIL PRICES HAS CREATED AN UNPRECEDENTED CHANGE IN THE STRUCTURE OF BALANCE-OF-PAYMENTS TOGETHER WITH A FASTER RATE OF INFLATION. ALL MEMBER COUNTRIES ARE AFFECTED BY THE DEVELOPMENTS, THOUGH IN VARYING DEGREES. MEMBER COUNTRIES HAVE AGREED THAT IN THE PRESENT SITUATION OF GENERALLY SHARPLY WORSENERED CURRENT ACCOUNTS, UNILATERAL ACTION WOULD NOT BE THE RIGHT RESPONSE AND WOULD AGGRAVATE THE SITUATION OF OTHER MEMBER COUNTRIES. SUCH MEASURES, IF GENERALIZED, WOULD HAVE A DEPRESSING EFFECT ON THE WORLD ECONOMY AND WOULD THUS BE SELF-DEFEATING.

4. IT IS WIDELY FELT THAT, WITHOUT PREJUDICE TO THE OUTCOME OF THE MONETARY AND TRADE NEGOTIATIONS, THE PRESENT SITUATION CALLS FOR A JOINT UNDERTAKING BY MEMBER COUNTRIES TO PREVENT SUCH DEVELOPMENTS.

5. THE FOLLOWING CONSIDERATIONS ARE PUT FORWARD IN ORDER TO ARRIVE AT A SUITABLE FORM AND SCOPE OF SUCH A JOINT UNDERTAKING:

(A) THE AIM SHOULD BE TO ACHIEVE A RELATIVELY STRONG AND UNQUALIFIED COMMITMENT FOR A LIMITED AND SHORT PERIOD OF TIME RATHER THAN A WEAKER COMMITMENT FOR A LONGER PERIOD. FOR EXAMPLE, SUCH A COMMITMENT COULD BE TAKEN FOR A PERIOD UP TO THE MEETING OF THE COUNCIL AT MINISTERIAL LEVEL IN 1975.

(B) MEMBER COUNTRIES SHOULD COMMIT THEMSELVES NOT TO LIMITED OFFICIAL USE

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RESORT TO MEASURES TO RESTRICT IMPORTS OR ARTIFICIALLY
TO SUPPORT EXPORTS, OR TO SIMILAR MEASURES ON OTHER
CURRENT ACCOUNT TRANSACTIONS. THOUGH ONE MAY HAVE TO
EXCLUDE FROM THE COMMITMENT MORE SPECIFIC MICRO-
ECONOMIC DIFFICULTIES FOR WHICH IT CAN BE DEMONSTRATED
THAT THEY ARE UNRELATED TO THE PRESENT CRITICAL
SITUATION, THIS SHOULD NOT ALLOW FOR MEASURES HAVING A
SIGNIFICANT IMPACT ON EXTERNAL TRADE IN GENERAL.
WHETHER A PROCEDURE OF PRIOR CONSULTATION IS TO BE
INSTITUTED FOR SUCH CASES SHOULD BE CONSIDERED.

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(C) WITH RESPECT TO ARTIFICIAL INCENTIVES TO EXPORTS, STEPS COULD BE TAKEN IN PARTICULAR TO AVOID AN EXPORT CREDIT RACE THROUGH OVERBIDDING ON THE TERMS. MIGHT THE PARTICIPATION OF ALL MEMBER COUNTRIES IN PRIOR CONSULTATION PROCEDURES IN THE FIELD OF EXPORT CREDIT AND THE EXTENSION OF ITS SCOPE TO ALL COUNTRIES OF DESTINATION BE ENVISAGED AS A SUPPLEMENT TO A MORE PRECISE AGREEMENT ON TERMS?

(D) THE NEW UNDERTAKING COULD EITHER BE LIMITED TO OECD MEMBER COUNTRIES OR OPENED FOR OTHER COUNTRIES TO JOIN. THE COMMITMENTS SHOULD BE BROUGHT TO THE ATTENTION OF OTHER INTERNATIONAL ORGANIZATIONS, SUCH AS THE IMF AND THE GATT, FOR ANY APPROPRIATE ACTION. WITHIN THE OECD, THE EXECUTIVE COMMITTEE IN SPECIAL SESSION AND THE TRADE COMMITTEE MIGHT BE CHARGED WITH FOLLOWING UP THE UNDERTAKING.

6. THE COMMITTEE MIGHT WISH TO CONSIDER WHETHER A DRAFT RECOMMENDATION COULD BE ADDRESSED TO THE COUNCIL FOR ADOPTION AT ITS FORTHCOMING MEETING AT MINISTERIAL LEVEL.
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